

CITY OF EVART, MICHIGAN

JUNE 30, 2019



Baird, Cotter & Bishop, P.C.
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CERTIFIED PUBLIC ACCOUNTANTS
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CITY OF EVART, MICHIGAN
JUNE 30, 2019

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditor's Report	i-iii
Management's Discussion and Analysis	iv-xiii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1-2
Statement of Activities	3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	5
Statement of Revenues, Expenditures and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Proprietary Funds	
Statement of Net Position	8-9
Reconciliation of the Statement of Net Position of Proprietary Funds to the Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Fund Net Position	11
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Position to the Statement of Activities	12
Statement of Cash Flows	13-14
Fiduciary Funds	
Statement of Fiduciary Net Position	15
Component Units	
Statement of Net Position	16
Statement of Activities	17
Notes to Financial Statements	18-47
Required Supplementary Information	
Budgetary Comparison Schedule – Major Governmental Funds	48-49
Schedule of Changes in Employer's Net Pension Liability and Related Ratios – Municipal Employees' Retirement System	50-51
Schedule of Employer Contributions – Municipal Employees' Retirement System	52-53
Combining Financial Statements	
Nonmajor Governmental Funds Types	
Combining Balance Sheet	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	55

CITY OF EVART, MICHIGAN
JUNE 30, 2019

TABLE OF CONTENTS

	<u>PAGES</u>
Component Units	
Governmental Funds	
Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	57
<u>Downtown Development Authority</u>	
Balance Sheet	58
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual	59
<u>Local Development Authority</u>	
Balance Sheet	60
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual	61



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October 18, 2019

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Ewart, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ewart, Michigan, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Ewart Housing Commission, which represents 54 percent, 60 percent, and 78 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ewart, Michigan as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the Table of Contents on pages iv through xiii and 48-53, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ewart, Michigan's basic financial statements. The combining financial statements and component unit's financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and the component unit's financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the component unit's financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019, on our consideration of City of Ewart, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ewart, Michigan's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CITY OF EVART, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2019

Management’s Discussion and Analysis

The management of the City of Evert, Michigan (“the City”) offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019, for the benefit of the readers of these financial statements. This management’s discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the City’s financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$19,793,113 (*Net Position*). Of this amount, \$3,670,836 represents unrestricted net position, which may be used to meet the City’s ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City’s governmental funds reported combined fund balances of \$1,475,842, of which \$754,773 is unassigned.
- At the end of the current fiscal year, unrestricted fund balance (the total of nonspendable, assigned and unassigned components of fund balance) for the general fund was \$800,902.
- The City’s total outstanding long-term obligations, including a capital lease payable, installment purchase agreement, compensated absences and the net pension liability, increased by \$261,723 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis provided here is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. The report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City’s assets, liabilities and deferred inflows/outflows of resources, with the difference between the two being reported as the net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2019

Both of the government-wide financial statements distinguish functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, public safety, public works, recreation and culture, community and economic development, other functions, and debt service. Business-type activities of the City include water and sewer utility services.

The government-wide financial statements include not only the City of Evart itself (known as the *primary government*), but also a legally separate Downtown Development Authority, Local Development Finance Authority, and Evart Housing Commission for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 1-3 of this report.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Evart, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund, and Local Street Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the report.

The City adopts an annual budget for the General Fund, Major Street Fund, and Local Street Fund and budgetary comparisons have been provided to demonstrate compliance with these budgets.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2019

The basic governmental fund financial statements can be found on pages 4-7 of this report.

Proprietary Funds The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer activity. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of their equipment. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the governmental-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water and sewer activity, both of which are considered to be major funds of the City of Evart.

The basic proprietary fund financial statements can be found on pages 8-14 of this report.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the City's own programs. The City maintains one type of fiduciary fund. The Agency Fund reports resources held by the City in a custodial capacity for other governments. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary financial statements can be found on page 15 of this report.

Component Units The City's financial statements include reporting on separate legal entities for which the City has some level of financial responsibility. These funds are shown in a separate column. The City's component units include the Downtown Development Authority, Local Development Finance Authority, and Evart Housing Commission.

Notes to Financial Statements The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found on pages 18-47 of this report.

Other Information In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

As noted earlier, net position, over time, may serve as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$19,793,113 at the close of the most recent fiscal year.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2019

The following schedule summarizes the net position at fiscal year ended June 30:

**City of Evart
Net Position as of June 30,**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current Assets	\$ 2,312,136	\$ 2,146,218	\$ 2,942,623	\$ 2,348,693	\$ 5,254,759	\$ 4,494,911
Non Current Assets	5,689,443	5,665,610	9,959,033	9,782,850	15,648,476	15,448,460
Total Assets	8,001,579	7,811,828	12,901,656	12,131,543	20,903,235	19,943,371
Deferred Outflows of Resources	132,963	39,844	102,130	37,517	235,093	77,361
Current Liabilities	383,982	124,206	135,735	81,913	519,717	206,119
Non Current Liabilities	463,309	458,720	319,503	219,349	782,812	678,069
Total Liabilities	847,291	582,926	455,238	301,262	1,302,529	884,188
Deferred Inflows of Resources	24,142	51,027	18,544	48,042	42,686	99,069
Net Position:						
Net Investment in Capital Assets	5,516,065	5,475,834	9,959,033	9,782,850	15,475,098	15,258,684
Restricted	647,179	758,400	0	0	647,179	758,400
Unrestricted	1,099,865	983,485	2,570,971	2,036,906	3,670,836	3,020,391
Total Net Position	\$ 7,263,109	\$ 7,217,719	\$ 12,530,004	\$ 11,819,756	\$ 19,793,113	\$ 19,037,475

The most significant portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the City used to acquire or construct the asset. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position \$647,179, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$3,670,836, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position.

The total net position of the City increased \$755,638 in this fiscal year, which is an indicator that the City experienced positive financial growth during the year. As a result, the City ended the fiscal year in better condition than when the year started.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2019

The following table illustrates the results of the changes in the net position for the City for the year ended June 30:

**City of Evart
Change in Net Position
for the Fiscal Year Ended June 30,**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for Services	\$ 157,886	\$ 129,310	\$ 1,730,481	\$ 1,702,015	\$ 1,888,367	\$ 1,831,325
Operating Grants and Contributions	318,401	273,352	250,000	0	568,401	273,352
Capital Grants and Contributions	69,430	187,475	0	1,128,618	69,430	1,316,093
General Revenues						
Taxes	504,702	513,413	0	0	504,702	513,413
State Grants	337,975	269,312	499,037	141,596	837,012	410,908
License and Permits	53,278	67,510	0	0	53,278	67,510
Interest Earnings	14,336	32,711	30,667	18,310	45,003	51,021
Other Revenues	43,003	32,470	23,579	6,040	66,582	38,510
Total Revenues	1,499,011	1,505,553	2,533,764	2,996,579	4,032,775	4,502,132
Expenses						
General Government	315,189	257,645	0	0	315,189	257,645
Public Safety	295,943	277,654	0	0	295,943	277,654
Public Works	550,584	523,739	0	0	550,584	523,739
Recreation and Culture	133,286	124,179	0	0	133,286	124,179
Community and Economic Development	49,642	48,331	0	0	49,642	48,331
Other Functions	108,489	124,326	0	0	108,489	124,326
Debt Service	488	720	0	0	488	720
Water and Sewer	0	0	1,823,516	1,462,949	1,823,516	1,462,949
Total Expenses	1,453,621	1,356,594	1,823,516	1,462,949	3,277,137	2,819,543
Change in Net Position	45,390	148,959	710,248	1,533,630	755,638	1,682,589
Beginning Net Position	7,217,719	7,068,760	11,819,756	10,286,126	19,037,475	17,354,886
Ending Net Position	\$7,263,109	\$7,217,719	\$12,530,004	\$11,819,756	\$19,793,113	\$ 19,037,475

CITY OF EVART, MICHIGAN

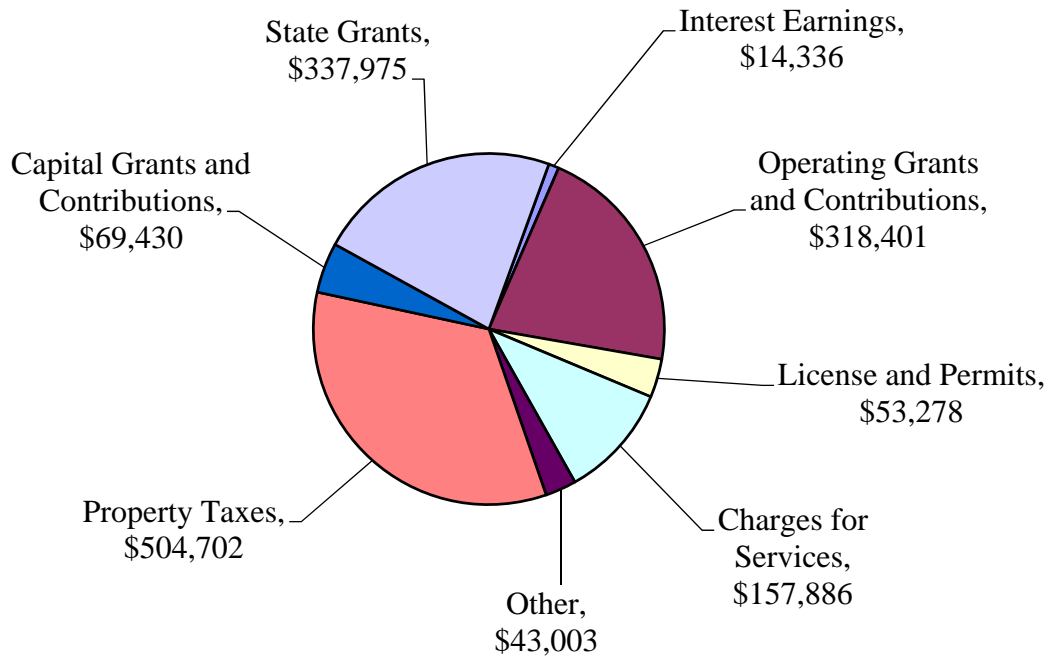
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2019

Governmental Activities

The following chart details the revenue sources for the governmental activities of the City for the fiscal year ended June 30, 2019:

**Revenues - Governmental Activities
Fiscal Year Ended June 30, 2019**



A significant portion of the revenue for all governmental activities of the City of Evart comes from Property Taxes. The City's operating, public safety, and library millage remained the same in 2018 at 14.5539, 1.8000, and 0.9702 mills. The City's charter allows the City to levy up to 15.00 mills for operations. Due to state statutes, the City is currently at its maximum tax levy, and is unable to increase the millage without the approval of the voters.

During the 2018-2019 year, the City received capital grants in the amount of \$69,430. This represents 5% of the total revenue for all governmental activities and was used for recreation and culture and public safety.

State-shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the state sales tax and motor fuel and weight taxes. In 2019, the amount of state-shared revenue received by the City remained steady.

The City's governmental activities expenses are dominated by the Public Works expenses that total \$550,584 in FY 2019. General Government represented the next largest expense at \$315,189.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2019

Business-Type Activities

These activities accounted for an increase of \$710,248 in the City's net position.

The business-type activities of the City include the Water Fund and Sewer Fund, which provide water and sewer utility services to City residents as well as commercial customers.

A significant part of the revenue for all business-type activities is charges for services. This amount comes from water and sewer utility billings. During the current fiscal year, a local corporation made a private contribution to the City normal operating expenses, which accounts for the large increase in revenue during the year.

Financial Analysis of the Government's Funds

Governmental Funds – At the completion of the City's fiscal year ended June 30, 2019, its governmental funds reported fund balances of \$1,475,842. \$754,773 of this amount is unassigned.

General Fund – The General Fund is the main operating fund of the City. The General Fund decreased its fund balance in this fiscal year by \$141,600, bringing the balance to \$800,902. This is primarily due to increased legal fees, salaries and wages, and city hall renovation professional fees.

Major Street Fund – The Major Street Fund decreased its fund balance in this fiscal year by \$110,591, bringing the balance to \$365,893, which is restricted for street improvements. The City had several large road projects during the year.

Local Street Fund – The Local Street Fund decreased its fund balance in this fiscal year by \$2,887, bringing the balance to \$139,701, which is restricted for street improvements. The primary reason for this decrease is due to the fact that the major street did not transfer any money over during the fiscal year.

Proprietary Funds – The City's proprietary funds provide virtually the same information as the government-wide statements; however, more detail may be found in the fund financial statements.

Water Fund – The Water Fund ended this fiscal year with \$1,934,571 in unrestricted net position. The net position of the fund increased by \$520,304. The primary reason for the increase is due to a grant received for equipment. Also, the City received a private contribution for operating expenditures.

Sewer Fund – The Sewer Fund ended this fiscal year with \$569,977 in unrestricted net position. Operating revenues remained steady. The net position of the fund increased by \$73,336 due to increased sewer rates and activity.

General Fund Budgetary Highlights

During the year, there was no change in the total appropriations of expenditures between the original budget and final amended budget.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2019

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	\$ 987,050	\$ 1,054,178	\$ 1,149,205
Total Expenditures	\$ 978,069	\$ 1,045,197	\$ 1,290,805

The difference in the original and final budgeted revenues is due primarily to account for the additional personal property tax reimbursement revenue from the State. The difference between the original and final budgeted expenditures is due to the City amending the budget throughout the year as the need arose.

The difference between final budgeted revenues compared to actual is due primarily to the City not accounting for the state grant revenue related to the park improvements. The City also did not budget for the local contribution received from the DDA. The differences in actual expenditures compared to final budget were primarily due to the City not accounting for the construction of the splash pad, increase in refuse rates, and the increase in retirement and health benefits.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for the governmental and business-type activities as of June 30, 2019, amounted to \$15,648,476 (net of accumulated depreciation). Capital assets of the City include any items purchased that cost in excess of \$5,000 and have an expected useful life of over one year. The City has invested in a broad range of capital assets, as detailed below:

**City of Evart
Capital Assets as of June 30,**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,072,699	\$ 1,072,699	\$ 500,591	\$ 500,591	\$ 1,573,290	\$ 1,573,290
Construction in Process	0	143,478	0	0	0	143,478
Buildings	2,451,939	2,451,939	393,653	393,653	2,845,592	2,845,592
Intangibles	125,000	125,000	125,267	125,267	250,267	250,267
Land Improvements	4,518,908	4,123,464	67,146	67,146	4,586,054	4,190,610
Machinery and Equipment	1,168,689	1,160,784	697,493	694,875	1,866,182	1,855,659
Office Equipment	21,160	21,160	0	0	21,160	21,160
Vehicles	123,402	123,402	0	0	123,402	123,402
Paved Roads	5,760,782	5,760,782	0	0	5,760,782	5,760,782
Unpaved Roads	45,638	45,638	0	0	45,638	45,638
Sewer Connection Lines	0	0	4,380,392	4,107,350	4,380,392	4,107,350
Treatment System	0	0	2,357,025	2,357,025	2,357,025	2,357,025
Mains and Connections	0	0	4,701,762	4,494,094	4,701,762	4,494,094
Meters	0	0	177,039	177,039	177,039	177,039
Tower	0	0	1,766,464	1,766,464	1,766,464	1,766,464
Wells and Control Building	0	0	4,000,333	3,959,394	4,000,333	3,959,394
Subtotal	15,288,217	15,028,346	19,167,165	18,642,898	34,455,382	33,671,244
Accumulated Depreciation	(9,598,774)	(9,362,736)	(9,208,132)	(8,860,048)	(18,806,906)	(18,222,784)
Net Capital Assets	\$ 5,689,443	\$ 5,665,610	\$ 9,959,033	\$ 9,782,850	\$ 15,648,476	\$ 15,448,460

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2019

Major capital asset events during fiscal year 2019 included the following:

- Construction of a new splash pad for a total of \$378,444, of which \$143,478 was construction in process in the fiscal year 2017-18.
- Demo land improvements for \$17,000.
- Body scanners and accessories in the amount of \$17,572.
- New sewer connection lines in the amount of \$273,042.
- Rebuilt irrigation pump in the amount of \$23,594.
- New water lines and connections in the amount of \$207,668.
- Rebuilt water pump in the amount of \$40,939.
- Purchase of a snow truck in the amount of \$68,900.
- Purchase of an asphalt recycler and hot box in the amount of \$34,969.

Additionally, the City also committed to the following capital asset events that occurred after year-end:

- 3 road surfacing projects for approximately \$141,000.
- Purchased a used sewer cleaner and freightliner for approximately \$250,000.

Additional information regarding the City's capital assets can be found in the Notes to Financial Statements section.

Long-Term Obligations. As of June 30, 2019, the City had total debt outstanding of \$956,190.

**City of Evart
Long-Term Obligations
as of June 30,**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Compensated Absences	\$ 47,340	\$ 52,369	\$ 0	\$ 0	\$ 47,340	\$ 52,369
Contracts and Notes	9,000	17,500	0	0	9,000	17,500
Capital Lease	164,378	172,276	0	0	164,378	172,276
Net Pension Liability	415,969	232,973	319,503	219,349	735,472	452,322
Total	<u>\$ 636,687</u>	<u>\$ 475,118</u>	<u>\$ 319,503</u>	<u>\$ 219,349</u>	<u>\$ 956,190</u>	<u>\$ 694,467</u>

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2019

Total long-term obligations increased by \$269,621. More information on the City's long-term obligations is available in the Notes to Financial Statements section of this document.

Economic Outlook for the City of Evart

The City expects property taxes to remain at a fairly steady rate, along with other revenues. The City is constantly monitoring expenditures in order to keep a balanced budget and not overspend. As revenues have steadily decreased over the past decade, the City continues to search for grant money to fund future projects. These factors were considered in preparing the City's budgets for the 2019-2020 fiscal year.

Contacting the City's Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the City's finances and demonstrate the City's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the City of Evart, 5814 100th Ave, Evart, Michigan 49631, or call us at (231) 734-2181.

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CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 1,938,681	\$ 2,526,594	\$ 4,465,275	\$ 288,527
Restricted Cash	141,498	0	141,498	514
Receivables				
Taxes	1,411	0	1,411	0
Accounts	212,102	159,867	371,969	67,349
Due from Other Governments	83,152	153,631	236,783	0
Special Assessments	0	34,840	34,840	0
Investments	0	0	0	245,312
Internal Balances	(66,423)	66,423	0	0
Prepaid Expenses	1,715	1,268	2,983	9,887
 Total Current Assets	 2,312,136	 2,942,623	 5,254,759	 611,589
<u>Non-Current Assets</u>				
Capital Assets	15,288,217	19,167,165	34,455,382	6,920,011
Less Accumulated Depreciation	(9,598,774)	(9,208,132)	(18,806,906)	(5,231,775)
 Total Non Current Assets	 5,689,443	 9,959,033	 15,648,476	 1,688,236
 TOTAL ASSETS	 8,001,579	 12,901,656	 20,903,235	 2,299,825
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows of Resources Related to Pensions	132,963	102,130	235,093	17,133
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	185,679	110,860	296,539	27,060
Retainage Payable	11,112	4,086	15,198	0
Accrued Payroll and Liabilities	7,164	7,504	14,668	74,211
Customer Deposits	0	3,000	3,000	0
Unearned Revenue	4,184	12,750	16,934	4,180
Internal Balances	2,465	(2,465)	0	0
Current Portion of Non Current Liabilities	173,378	0	173,378	9,162
 Total Current Liabilities	 383,982	 135,735	 519,717	 114,613

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Primary Government</u>		Total	Component Units
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
<u>Non Current Liabilities</u>				
Installment Note Payable	9,000	0	9,000	0
Capital Lease Payable	164,378	0	164,378	0
Compensated Absences	47,340	0	47,340	4,757
Net Pension Liability	415,969	319,503	735,472	295,873
Less Current Portion of Non Current Liabilities	(173,378)	0	(173,378)	0
 Total Non Current Liabilities	 463,309	 319,503	 782,812	 300,630
 TOTAL LIABILITIES	 847,291	 455,238	 1,302,529	 415,243
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Inflows of Resources Related to Pensions	24,142	18,544	42,686	0
 <u>NET POSITION</u>				
Net Investment in Capital Assets	5,516,065	9,959,033	15,475,098	1,688,236
Restricted for:				
Street Improvements	505,594	0	505,594	0
Perpetual Care - Permanently Restricted	141,585	0	141,585	0
Health and Welfare	0	0	0	514
Unrestricted	1,099,865	2,570,971	3,670,836	212,965
 TOTAL NET POSITION	 \$ 7,263,109	 \$12,530,004	 \$19,793,113	 \$1,901,715

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Change in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
<u>Primary Government</u>								
Governmental Activities								
General Government	\$ 315,189	\$ 30,083	\$ 8,988	\$ 0	\$ (276,118)	\$ 0	\$ (276,118)	\$ 0
Public Safety	295,943	5,283	2,104	850	(287,706)	0	(287,706)	0
Public Works	550,584	104,550	302,471	0	(143,563)	0	(143,563)	0
Recreation and Culture	133,286	17,970	4,838	68,580	(41,898)	0	(41,898)	0
Community and Economic Development	49,642	0	0	0	(49,642)	0	(49,642)	0
Other Functions	108,489	0	0	0	(108,489)	0	(108,489)	0
Debt Service	488	0	0	0	(488)	0	(488)	0
Total Governmental Activities	1,453,621	157,886	318,401	69,430	(907,904)	0	(907,904)	0
Business-Type Activities								
Water Supply	871,818	1,055,896	250,000	0	0	434,078	434,078	0
Sewage Disposal	951,698	674,585	0	0	0	(277,113)	(277,113)	0
Total Business-Type Activities	1,823,516	1,730,481	250,000	0	0	156,965	156,965	0
TOTAL PRIMARY GOVERNMENT	\$ 3,277,137	\$ 1,888,367	\$ 568,401	\$ 69,430	(907,904)	156,965	(750,939)	0
<u>Component Units</u>								
Governmental Activities								
Downtown Development Authority	\$ 102,052	\$ 3,555	\$ 52,878	\$ 0	0	0	0	(45,619)
Local Development Finance Authority	147,147	30,400	0	0	0	0	0	(116,747)
Business-Type Activities								
Ewart Housing Commission	883,831	266,685	368,662	119,941	0	0	0	(128,543)
TOTAL COMPONENT UNITS	\$ 1,133,030	\$ 300,640	\$ 421,540	\$ 119,941	0	0	0	(290,909)
<u>General Revenues</u>								
Taxes					504,702	0	504,702	50,672
State Grants					337,975	499,037	837,012	70,289
License and Permits					53,278	0	53,278	0
Interest Earnings					14,336	30,667	45,003	2,048
Other Revenues					43,003	23,579	66,582	32,779
Total General Revenues					953,294	553,283	1,506,577	155,788
Change in Net Position					45,390	710,248	755,638	(135,121)
<u>NET POSITION</u> - Beginning of Year					7,217,719	11,819,756	19,037,475	2,036,836
<u>NET POSITION</u> - End of Year					\$ 7,263,109	\$ 12,530,004	\$ 19,793,113	\$ 1,901,715

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 778,763	\$478,515	\$128,436	\$ 27,761	\$ 1,413,475
Restricted Cash	0	0	0	141,498	141,498
Receivables (Net, Where Applicable of Allowances for Uncollectables)					
Taxes	1,411	0	0	0	1,411
Accounts	40,994	170,766	49	100	211,909
Due from Other Governments	34,301	37,546	11,305	0	83,152
Due from Other Funds	13	0	0	0	13
Prepaid Expenditures	1,715	0	0	0	1,715
TOTAL ASSETS	\$ 857,197	\$686,827	\$139,790	\$169,359	\$ 1,853,173
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 34,275	\$150,000	\$ 0	\$ 0	\$ 184,275
Accrued Payroll and Liabilities	6,724	168	89	0	6,981
Due to Other Governments	11,112	0	0	0	11,112
Due to Other Funds	0	0	0	13	13
Unearned Revenue	4,184	0	0	0	4,184
Total Liabilities	56,295	150,168	89	13	206,565
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Revenue	0	170,766	0	0	170,766
<u>FUND BALANCE</u>					
Nonspendable					
Prepaid Expenditures	1,715	0	0	0	1,715
Endowment	0	0	0	141,585	141,585
Restricted					
Street Improvements	0	365,893	139,701	0	505,594
Assigned					
Capital Projects Fund	0	0	0	27,761	27,761
Skate Park	23,771	0	0	0	23,771
Community Recreation	10,643	0	0	0	10,643
Police Vehicle Purchase	5,000	0	0	0	5,000
Fire Vehicle Purchase	5,000	0	0	0	5,000
Unassigned	754,773	0	0	0	754,773
Total Fund Balance	800,902	365,893	139,701	169,346	1,475,842
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 857,197	\$686,827	\$139,790	\$169,359	\$ 1,853,173

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

JUNE 30, 2019

Total Governmental Fund Balances		\$ 1,475,842
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Adjustment to reflect the consolidation of Internal Service Fund activities, related to governmental activities fund.		673,979
Long-term receivables are not available to pay current period expenditures and therefore are unavailable in governmental funds.		
Accounts Receivable		170,766
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$ 14,400,855	
Accumulated depreciation is	<u>(9,028,422)</u>	5,372,433
Internal service funds are used by management to charge costs of certain activities, such as equipment rental, to individual funds. The net result of the look-back adjustment as it relates to enterprise fund customers are treated as interfund payables and receivables between governmental activities and business-type activities.		(66,423)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Installment Note Payable		(9,000)
Compensated Absences		(47,340)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds		
Net Pension Liability		(415,969)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pension		132,963
Deferred Inflows of Resources Related to Pensions		<u>(24,142)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 7,263,109</u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Funds	Total Governmental Funds
<u>Revenues</u>					
Taxes	\$ 473,585	\$ 0	\$ 0	\$ 37,183	\$ 510,768
Licenses and Permits	54,843	0	0	0	54,843
State Grants	407,094	207,828	94,643	0	709,565
Contributions from Local Units	8,988	0	0	0	8,988
Charges for Services	129,433	0	0	0	129,433
Fines and Forfeits	5,283	0	0	0	5,283
Interest and Rents	34,157	469	378	2,502	37,506
Other Revenue	35,822	6,178	325	300	42,625
 Total Revenues	 1,149,205	 214,475	 95,346	 39,985	 1,499,011
<u>Expenditures</u>					
General Government	248,407	0	0	0	248,407
Public Safety	300,067	0	0	0	300,067
Public Works	342,933	325,066	98,233	0	766,232
Recreation and Culture	278,934	0	0	37,183	316,117
Community Economic and Development	2,987	0	0	0	2,987
Other Functions	108,489	0	0	0	108,489
Debt Service	8,988	0	0	0	8,988
 Total Expenditures	 1,290,805	 325,066	 98,233	 37,183	 1,751,287
 Excess (Deficiency) of Revenues Over Expenditures	 (141,600)	 (110,591)	 (2,887)	 2,802	 (252,276)
 <u>FUND BALANCE - Beginning of Year</u>	 942,502	 476,484	 142,588	 166,544	 1,728,118
 <u>FUND BALANCE - End of Year</u>	 \$ 800,902	 \$ 365,893	 \$ 139,701	 \$ 169,346	 \$ 1,475,842

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances Total Governmental Funds	\$	(252,276)
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Amounts reported for governmental activities are different because:

Adjustment to reflect the consolidation of Internal Service Fund activities related to governmental funds.	204,522
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Governmental funds report capital outlays as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as

Depreciation Expense	(293,145)
Capital Outlay	269,538

Repayments of principal on long-term debt is an expenditures in the governmental funds, but not in the Statements of Activities (where it is a reduction of liabilities).	8,500
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Revenue is recorded on the accrual method in the Statement of Activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Unavailable Revenue - Beginning of Year	(4,552)
Unavailable Revenue - End of Year	170,766

Compensated Absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	52,369
Compensated Absences - End of Year	(47,340)

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.

Changes in Net Pension Liability	(182,996)
Change in Pension Related Items	120,004

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>45,390</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2019

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

MAJOR FUNDS

	<u>Water Supply</u>	<u>Sewage Disposal</u>	<u>Totals</u>	<u>Internal Service Fund</u>
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 1,928,564	\$ 598,030	\$ 2,526,594	\$ 525,206
Receivables (Net, Where Applicable, of Allowances for Uncollectables):				
Accounts	97,628	62,239	159,867	193
Special Assessments	17,420	17,420	34,840	0
Due from Other Funds	0	2,465	2,465	0
Due from Other Governments	28,775	124,856	153,631	0
Prepaid Expenses	804	464	1,268	0
Total Current Assets	<u>2,073,191</u>	<u>805,474</u>	<u>2,878,665</u>	<u>525,399</u>
<u>Capital Assets</u>				
Land	42,500	458,091	500,591	0
Land Improvements and Additions	67,146	0	67,146	0
Buildings	393,653	0	393,653	0
Machinery and Equipment	198,710	498,783	697,493	887,362
Intangibles	125,267	0	125,267	0
Water and Sewer Systems	10,645,598	6,737,417	17,383,015	0
	<u>11,472,874</u>	<u>7,694,291</u>	<u>19,167,165</u>	<u>887,362</u>
Less Accumulated Depreciation	<u>5,053,365</u>	<u>4,154,767</u>	<u>9,208,132</u>	<u>570,352</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>6,419,509</u>	<u>3,539,524</u>	<u>9,959,033</u>	<u>317,010</u>
TOTAL ASSETS	<u>8,492,700</u>	<u>4,344,998</u>	<u>12,837,698</u>	<u>842,409</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Related Items	<u>49,964</u>	<u>52,166</u>	<u>102,130</u>	<u>0</u>
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	12,600	98,260	110,860	1,404
Retainage Payable	4,086	0	4,086	0
Accrued Payroll and Liabilities	3,517	3,987	7,504	183
Due to Other Funds	0	0	0	2,465
Customer Deposits	3,000	0	3,000	0
Unearned Revenue	0	12,750	12,750	0
Current Portion of Long-Term Debt	0	0	0	164,378
Total Current Liabilities	<u>23,203</u>	<u>114,997</u>	<u>138,200</u>	<u>168,430</u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2019

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

MAJOR FUNDS

	<u>Water</u>	<u>Sewage</u>	<u>Totals</u>	<u>Internal Service</u>
	<u>Supply</u>	<u>Disposal</u>		<u>Fund</u>
<u>Non-Current Liabilities</u>				
Capital Lease Payable	0	0	0	164,378
Net Pension Liability	156,309	163,194	319,503	0
Less Current Portion	0	0	0	(164,378)
Total Non-Current Liabilities	156,309	163,194	319,503	0
TOTAL LIABILITIES	179,512	278,191	457,703	168,430
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension Related Items	9,072	9,472	18,544	0
<u>NET POSITION</u>				
Net Investment in Capital Assets	6,419,509	3,539,524	9,959,033	152,632
Unrestricted	1,934,571	569,977	2,504,548	521,347
TOTAL NET POSITION	<u>\$ 8,354,080</u>	<u>\$ 4,109,501</u>	<u>\$ 12,463,581</u>	<u>\$ 673,979</u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

RECONCILIATION OF THE STATEMENT OF NET POSITION OF PROPRIETARY FUNDS
TO THE STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2019

Total Net Position - Total Proprietary Funds	\$ 12,463,581
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Amounts reported for proprietary activities in the Statement of Net Position are different because:

Internal service funds are used by management to charge costs of equipment rental to individual funds. The assets and liabilities of the internal service funds are allocated to governmental type activities. This creates an internal balance referred to as the crossover amount which needs to be adjusted for.

66,423

NET POSITION OF PROPRIETARY FUNDS

\$ 12,530,004

The notes to the financial statements are an integral part of this document.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2019

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

MAJOR FUNDS

	<u>Water</u> <u>Supply</u>	<u>Sewage</u> <u>Disposal</u>	<u>Totals</u>	<u>Internal Service</u> <u>Fund</u>
<u>Operating Revenues</u>				
Charges for Services	\$ 1,043,246	\$ 674,585	\$ 1,717,831	\$ 0
Rental	12,650	0	12,650	210,192
Total Operating Revenues	<u>1,055,896</u>	<u>674,585</u>	<u>1,730,481</u>	<u>210,192</u>
<u>Operating Expenses</u>				
Personal Services	177,241	194,227	371,468	7,489
Employee Benefits	72,707	77,534	150,241	2,194
Professional Services	156,280	404,919	561,199	6,715
Office Supplies and Expense	15,384	8,012	23,396	0
Communications	3,235	4,005	7,240	0
Insurance	4,959	16,530	21,489	6,199
Operating Supplies and Expense	136,487	54,809	191,296	67,789
Heat, Light and Power	121,948	44,572	166,520	0
Depreciation	208,849	160,211	369,060	56,429
Rentals	51,505	26,710	78,215	0
Total Operating Expenses	<u>948,595</u>	<u>991,529</u>	<u>1,940,124</u>	<u>146,815</u>
Operating Income (Loss)	<u>107,301</u>	<u>(316,944)</u>	<u>(209,643)</u>	<u>63,377</u>
<u>Nonoperating Revenues (Expenses)</u>				
Interest Income	18,421	12,246	30,667	2,080
Miscellaneous Income	11,118	12,461	23,579	9,506
Grant Revenue	133,464	365,573	499,037	0
Interest and Fiscal Charges	0	0	0	(3,833)
Total Nonoperating Revenues (Expenses)	<u>163,003</u>	<u>390,280</u>	<u>553,283</u>	<u>7,753</u>
Income Before Capital Contributions	270,304	73,336	343,640	71,130
Private Contribution	250,000	0	250,000	250,000
Change in Net Position	520,304	73,336	593,640	321,130
<u>NET POSITION</u> - Beginning of Year	<u>7,833,776</u>	<u>4,036,165</u>	<u>11,869,941</u>	<u>352,849</u>
<u>NET POSITION</u> - End of Year	<u>\$ 8,354,080</u>	<u>\$ 4,109,501</u>	<u>\$ 12,463,581</u>	<u>\$ 673,979</u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION TO THE STATEMENT OF ACTIVITIES
PROPRIETARY FUNDS

JUNE 30, 2019

Net Change in Fund Net Position - Total Proprietary Funds	\$ 593,640
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Amounts reported for proprietary activities in the Statement of Activities are different because:

Internal service funds are used by management to charge costs of equipment rental to individual funds. The net revenue (expense) of internal service fund is reported with governmental type activities. This creates an internal balance referred to as the crossover amount that needs to be adjusted for.

116,608

CHANGE IN NET POSITION OF PROPRIETARY FUNDS

\$ 710,248

The notes to the financial statements are integral part of this document.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

JUNE 30, 2019

	<u>BUSINESS-TYPE ACTIVITIES -</u>			Internal Service
	<u>ENTERPRISE FUNDS</u>			
	<u>MAJOR FUNDS</u>			
	<u>Water</u>	<u>Sewage</u>		<u>Fund</u>
	<u>Supply</u>	<u>Disposal</u>	<u>Totals</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from Customers and Users	\$ 1,085,224	\$ 716,969	\$ 1,802,193	\$ 0
Receipts from Interfund Services Provided	0	0	0	253,939
Payments to Suppliers	(612,643)	(602,358)	(1,215,001)	(90,371)
Payments to Employees	(176,465)	(193,343)	(369,808)	(7,428)
Net Cash Provided (Used)				
by Operating Activities	296,116	(78,732)	217,384	156,140
<u>CASH FLOWS FROM CAPITAL AND</u>				
<u>RELATED FINANCING ACTIVITIES</u>				
Acquisition and Construction of Capital Assets	(248,607)	(296,636)	(545,243)	(103,869)
Private Contribution	250,000	0	250,000	250,000
Interest Paid on Debt	0	0	0	(3,833)
Principal Paid on Capital Lease	0	0	0	(7,898)
Grants Received	118,889	283,598	402,487	0
Special Assessment Revenue	1,115	1,115	2,230	0
Miscellaneous Revenue Received	11,118	12,461	23,579	9,506
Net Cash Provided (Used) by Capital				
and Related Financing Activities	132,515	538	133,053	143,906
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Received	18,421	12,246	30,667	2,080
Net Increase (Decrease) in Cash				
and Cash Equivalents	447,052	(65,948)	381,104	302,126
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	1,481,512	663,978	2,145,490	223,080
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 1,928,564	\$ 598,030	\$ 2,526,594	\$ 525,206

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

JUNE 30, 2019

	<u>BUSINESS-TYPE ACTIVITIES -</u>			
	<u>ENTERPRISE FUNDS</u>			
	<u>MAJOR FUNDS</u>			<u>Internal Service</u>
	<u>Water</u>	<u>Sewage</u>	<u>Totals</u>	<u>Fund</u>
	<u>Supply</u>	<u>Disposal</u>		
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH</u>				
<u>PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ 107,301	\$ (316,944)	\$ (209,643)	\$ 63,377
Adjustments to Reconcile Operating Income (Loss)				
to Net Cash Provided (Used) by Operating Activities:				
Depreciation	208,849	160,211	369,060	56,429
(Increase) Decrease in Current Assets				
Accounts Receivable	2,758	(3,388)	(630)	(193)
Due from Other Funds	26,420	33,022	59,442	69,977
Prepaid Expense	(804)	(464)	(1,268)	0
Increase (Decrease) in Current Liabilities				
Accounts Payable	(47,930)	35,595	(12,335)	(7,474)
Accrued Payroll and Liabilities	776	884	1,660	61
Retainage Payable	(175)	(4,261)	(4,436)	0
Customer Deposits	150	0	150	0
Unearned Revenue	0	12,750	12,750	0
Due to Other Funds	(2,997)	(412)	(3,409)	(26,037)
Increase (Decrease) in Net Pension Obligation	1,768	4,275	6,043	0
Total Adjustments	188,815	238,212	427,027	92,763
 NET CASH PROVIDED (USED)				
BY OPERATING ACTIVITIES	\$ 296,116	\$ (78,732)	\$ 217,384	\$ 156,140

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2019

	<u>AGENCY FUNDS</u>
	TAX
	COLLECTION
	<u>FUND</u>
<u>ASSETS</u>	\$ 0
<u>LIABILITIES</u>	<u>0</u>
<u>NET POSITION</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION
COMPONENT UNITS

JUNE 30, 2019

	Local			Total
	Downtown Development Authority	Development Finance Authority	Ewart Housing Commission	
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 120,256	\$ 46,752	\$ 121,519	\$ 288,527
Cash and Cash Equivalents - Restricted	0	0	514	514
Accounts Receivable	0	0	67,349	67,349
Investments	0	0	245,312	245,312
Prepaid Expenses	1,200	784	7,903	9,887
Total Current Assets	<u>121,456</u>	<u>47,536</u>	<u>442,597</u>	<u>611,589</u>
<u>Non Current Assets</u>				
Capital Assets	122,544	1,169,967	5,627,500	6,920,011
Less Accumulated Depreciation	(61,287)	(349,191)	(4,821,297)	(5,231,775)
Total Non Current Assets	<u>61,257</u>	<u>820,776</u>	<u>806,203</u>	<u>1,688,236</u>
TOTAL ASSETS	<u>182,713</u>	<u>868,312</u>	<u>1,248,800</u>	<u>2,299,825</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Related Items	0	17,133	0	17,133
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	2,700	11,347	13,013	27,060
Accrued Wages	1,031	801	0	1,832
Accrued Expenses	0	0	72,379	72,379
Unearned Revenue	1,680	2,500	0	4,180
Current Portion of Non Current Liabilities	0	0	9,162	9,162
Total Current Liabilities	<u>5,411</u>	<u>14,648</u>	<u>94,554</u>	<u>114,613</u>
<u>Non Current Liabilities</u>				
Net Pension Liability	0	295,873	0	295,873
Compensated Absences - Net	0	0	4,757	4,757
Total Non Current Liabilities	<u>0</u>	<u>295,873</u>	<u>4,757</u>	<u>300,630</u>
TOTAL LIABILITIES	<u>5,411</u>	<u>310,521</u>	<u>99,311</u>	<u>415,243</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	61,257	820,776	806,203	1,688,236
Restricted - Health and Welfare	0	0	514	514
Unrestricted	116,045	(245,852)	342,772	212,965
TOTAL NET POSITION	<u>\$ 177,302</u>	<u>\$ 574,924</u>	<u>\$ 1,149,489</u>	<u>\$ 1,901,715</u>

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF ACTIVITIES
COMPONENT UNITS

YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Local Development Finance Authority	Ewart Housing Commission	
<u>Governmental Activities</u>								
Downtown Development Authority	\$ 102,052	\$ 3,555	\$ 52,878	\$ 0	\$ (45,619)	\$ 0	\$ 0	\$ (45,619)
Local Development Finance Authority	147,147	30,400	0	0	0	(116,747)	0	(116,747)
Total Governmental Activities	249,199	33,955	52,878	0	(45,619)	(116,747)	0	(162,366)
<u>Business-Type Activities</u>								
Ewart Housing Commission	883,831	266,685	368,662	119,941	0	0	(128,543)	(128,543)
TOTAL	\$ 1,133,030	\$ 300,640	\$ 421,540	\$ 119,941	(45,619)	(116,747)	(128,543)	(290,909)
<u>General Revenues</u>								
Taxes					0	50,672	0	50,672
State Sources					60,501	9,788	0	70,289
Interest Earnings					144	74	1,830	2,048
Other Revenues					8,246	500	24,033	32,779
Total General Revenues					68,891	61,034	25,863	155,788
Change in Net Position					23,272	(55,713)	(102,680)	(135,121)
<u>NET POSITION - Beginning of Year</u>					154,030	630,637	1,252,169	2,036,836
<u>NET POSITION - End of Year</u>					\$ 177,302	\$ 574,924	\$1,149,489	\$1,901,715

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Governmental-Wide Financial Statements

The governmental-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governmental is financially accountable.

B. Reporting Entity

The City of Evert, Michigan, was incorporated under the laws of the State of Michigan and operates under a Council-Manager form of government. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government. The Downtown Development Authority and Local Development Finance Authority have a June 30th year-end. The Evert Housing Commission has a December 31st year-end.

DISCRETELY PRESENTED COMPONENT UNITS

Downtown Development Authority (DDA) – The members of the governing council of the Downtown Development Authority are appointed by the Evert City Council. The Authority’s operational and capital budgets and bonded debt must be approved by the City Council.

Local Development Finance Authority (LDFA) – The members of the governing council of the Tax Increment Finance Authority are appointed by the Evert City Council. The Authority’s operational and capital budgets and bonded debt must be approved by the City Council.

Evert Housing Commission – The members of the governing council of the Evert Housing Commission are appointed by the Evert City Council. The Housing Commission has a different fiscal year-end of December 31st and issues a separate financial report.

Financial statements of the DDA, LDFA, and Evert Housing Commission are included as supplemental information in the annual financial report of the City of Evert, Michigan.

C. Basis of Presentation – Government-Wide Financial Statements

While separate governmental-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds and internal service funds, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

As discussed earlier, the government has three discretely presented component units. The DDA, LDFA, and Evert Housing Commission are considered to be major component units and are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City of Evert reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares and for the maintenance contract of the state trunklines. It accounts for all construction, maintenance, traffic services and snow and ice control of all streets designated as major.

The *Local Street Fund* receives all local street money paid to the city by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The City of Evert reports the following major proprietary funds:

The *Water Supply* records financial activity of the water system which provides water to customers.

The *Sewage Disposal* records financial activity of the sewage disposal services to its customers.

Additionally, the City of Evert reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service funds* account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

The *permanent funds* are accounted for using the accrual method of accounting. Permanent funds account for assets that are legally restricted to the extent that only the earnings, and not the principal, may be used.

The *agency funds* account for property taxes, trailer taxes, and dog licenses collected by the City on behalf of other governments as well as the City's General Fund.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, transfers between the funds included in business-type activities are eliminated so that only the net amount is included as internal transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose,

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, licenses, interest, and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and capital projects funds.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) lapse at year-end and do not constitute expenditures or liabilities because the commitments will generally be reappropriated and honored during the subsequent year.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the City Manager submits, to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the City Council. General Fund expenditures may not legally exceed appropriations at the major function level. Expenditures in all other funds may not exceed appropriations at the total fund level.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

5. Budgets for the General, Special Revenue and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council from time to time throughout the year. The City amended its budget two times during the current fiscal year.
6. Budget appropriations lapse at the end of the fiscal year for all funds, except for certain capital projects which are adopted on a per project basis.

2. Excess of Expenditures Over Appropriations

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government		
Attorney	\$ 10,250	\$ 27,997
Clerk	21,485	21,698
Building and Grounds	30,140	33,971
Public Works		
Department of Public Works	98,790	131,344
Refuse Service	93,000	103,346
Recreation and Culture		
Parks and Recreation	72,391	278,934
Debt Service		
Principal	0	8,500
Interest	0	488
Major Street Fund		
Public Works		
Street Department	102,080	325,066
Local Street Fund		
Public Works		
Street Department	45,965	98,233
Library Fund		
Recreation and Culture		
Library	0	37,183

These overages were funded by available fund balance and greater than anticipated revenues. No budget was not adopted for the Library Fund.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2. *Investments*

The City's investment policy is in compliance with state law and authorizes the City to invest in passbook savings accounts, negotiable and nonnegotiable certificates of deposit, repurchase agreements backed by the United States government or federal agency obligations, United States Treasury bills and bonds, bankers' acceptances, federal agency instruments, money market funds and commercial paper. Investments in commercial paper must be rated in one of the two highest rating categories by Standard and Poor's or Moody's and are limited to fifty percent of a funds portfolio in accordance with state statutes. Investments are stated at fair value which is determined using selected bases. Securities traded on a national exchange are valued at the last reported sales price. Managed funds not listed on an established market are reported at fair value as determined by the respective fund managers based on quoted prices of underlying securities. Some investments authorized by state law are shown as cash on the financial statements.

3. *Inventories and Prepaid Items*

The costs of governmental fund-type inventories are recorded as expenditures when purchased. Inventories held by the General, Water and Internal Service Funds are not considered material and are not included in these financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. *Restricted Assets*

The restricted assets of the Cemetery Perpetual Care Fund consist of donations related to keeping up with the cemetery care.

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated acquisition value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair market value of the item at the date of its donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. No interest was incurred for the current year's acquisitions and improvements.

Property, plant and equipment are depreciated in all funds of the government using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	20-50
Public Domain Infrastructure	20-30
Mains and Connections	20-100
Equipment	10-20
Intangibles	3-5

6. *Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for nonvesting, unpaid accumulated sick leave. Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. *Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

8. *Unearned Revenue*

Unearned revenue arises when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The City's Downtown Development Authority has unearned revenue related to the summer concert series.

9. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualify for reporting in this category, which is related to the pension plan for its employees. Details can be found in footnote IV.A.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. The first arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source which is special assessments. This amount is deferred and recognized as an inflow of resources in the period that the amount become available. The other item is related to the pension plan for its employees. Details can be found in footnote IV.A.

10. *Pension*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) and additions to/deductions from MERS fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. *Net Position Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

12. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

13. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

14. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. *Property Taxes*

Property taxes attach as an enforceable lien on property as of January 1. The City bills and collects its own property taxes and also taxes for the county and school districts. Collections of the county and school taxes and remittance of them to the taxing units are accounted for in the Current Tax Collection Fund. A portion of county and school taxes are billed and due December 1, and become delinquent after February 14. City property tax revenues are recognized when levied, thus none of the 2019 summer roll has been recognized in these statements. City taxes and the remainder of county taxes are billed and due July 1, and become delinquent after August 10. City tax collections are accounted for in the Current Tax Collection Fund. The school 6 mill tax levy is also collected on the summer tax roll.

The 2018 taxable valuation of the City totaled \$29,543,465 on which ad valorem taxes levied consisted of 14.5539 mills for City operating purposes, 0.9702 mills for the Library, and 1.8000 mills for Public Safety. The levy raised approximately \$428,380 for City operating purposes, of which \$29,585 was captured by the Local Development Finance Authority, leaving \$398,795 for the City and \$26,581 net of the DDA and LDFA capture for the Library. The levy raised approximately \$52,980 for public safety. These amounts are recognized in the General Fund and Library Fund as tax revenue.

3. *Proprietary Funds Operating and Nonoperating Revenues and Expenses*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund, sewer fund, and internal service fund are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal services fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Violations of Legal or Contractual Provisions*

Note I.F.2, on the Excess of Expenditures Over Appropriations, describes budgetary violations that occurred for the year ended June 30, 2019. It also explains the provision provided by law that was used to remedy the violation. In addition, the City did not adopt a budget for the Library Fund.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

The City's deposits and investments are all on deposit with various banks.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2019, \$3,334,103 of the government's bank balance of \$4,690,385 was exposed to custodial credit risk because it was uninsured and uncollateralized. \$1,350,572 of uninsured funds is in the water fund, \$600,330 is in the sewer fund, \$443,348 is in the internal service fund, \$509,270 in the major street fund, and \$193,283 is in the general fund. The remaining uninsured balances are spread amongst various funds. As of the June 30, 2019, none of the \$168,790 bank balance of the LDFAs and the DDAs was exposed to custodial credit risk because it was all insured. Additionally, as of December 31, 2018, none of the Evert Housing Commission's cash and equivalents were exposed to credit risk due to them being full insured. Although the City's investment policy does not directly address custodial credit risk, it typically limits its exposure by controlling who holds the City's deposits.

Interest rate risk. The City will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

Concentration of credit risk. The City will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign currency risk. The City is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Fair Market Value Disclosure - The City is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The City does not have any investments that are subject to fair value disclosure.

The carrying amount of the deposits are as follows:

	PRIMARY GOVERNMENT	COMPONENT UNITS
Carrying Amount of Deposits	\$ 4,606,773	\$ 289,041

A reconciliation of cash follows:

	PRIMARY GOVERNMENT	COMPONENT UNITS
Government-Wide Statement of Net Position		
Cash	\$ 4,465,275	\$ 288,527
Government-Wide Statement of Net Position		
Cash - Restricted	141,498	514
Total	\$ 4,606,773	\$ 289,041

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

B. Capital Assets

Primary Government

	Beginning			Ending
	Balance	Increases	Decreases	Balance
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,072,699	\$ 0	\$ 0	\$ 1,072,699
Construction in Process	143,478	0	143,478	0
Total Capital Assets, Not Being Depreciated	<u>1,216,177</u>	0	143,478	<u>1,072,699</u>
Capital Assets, Being Depreciated				
Buildings	2,451,939	0	0	2,451,939
Intangibles	125,000	0	0	125,000
Land Improvements	4,123,464	395,444	0	4,518,908
Machinery and Equipment	264,654	17,572	899	281,327
Office Equipment	21,160	0	0	21,160
Vehicles	123,402	0	0	123,402
Paved Roads	5,760,782	0	0	5,760,782
Unpaved Roads	45,638	0	0	45,638
Total Capital Assets, Being Depreciated	<u>12,916,039</u>	413,016	899	<u>13,328,156</u>
Less Accumulated Depreciation for:				
Buildings	512,804	53,660	0	566,464
Intangibles	124,999	0	0	124,999
Land Improvements	2,729,176	153,585	0	2,882,761
Machinery and Equipment	115,354	23,150	899	137,605
Office Equipment	21,160	0	0	21,160
Vehicles	105,906	8,397	0	114,303
Paved Roads	5,081,138	54,353	0	5,135,491
Unpaved Roads	45,639	0	0	45,639
Total Accumulated Depreciation	<u>8,736,176</u>	293,145	899	<u>9,028,422</u>
Total Capital Assets, Being Depreciated, Net	<u>4,179,863</u>	119,871	0	<u>4,299,734</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,396,040</u>	\$ 119,871	\$ 143,478	<u>\$ 5,372,433</u>
Internal Service Fund Net Capital Assets				317,010
Net Capital Assets per Statement of Net Position				<u>\$ 5,689,443</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Business – Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Sewage Disposal</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 458,091	\$ 0	\$ 0	\$ 458,091
Capital Assets, Being Depreciated				
Machinery and Equipment	496,165	23,594	20,976	498,783
Sewer Connection Lines	4,107,350	273,042	0	4,380,392
Treatment System	2,357,025	0	0	2,357,025
Total Capital Assets, Sewer, Being Depreciated	6,960,540	296,636	20,976	7,236,200
Less Accumulated Depreciation for:				
Machinery and Equipment	420,441	19,902	20,976	419,367
Sewer Connection Lines	1,933,082	81,730	0	2,014,812
Treatment System	1,662,009	58,579	0	1,720,588
Total Accumulated Depreciation, Sewer	4,015,532	160,211	20,976	4,154,767
Total Capital Assets, Sewer, Being Depreciated, Net	2,945,008	136,425	0	3,081,433
Sewer Capital Assets, Net	3,403,099	136,425	0	3,539,524
<u>Water Supply</u>				
Capital Assets, Not Being Depreciated				
Land	42,500	0	0	42,500
Capital Assets, Being Depreciated				
Land Improvements	67,146	0	0	67,146
Buildings	393,653	0	0	393,653
Machinery and Equipment	198,710	0	0	198,710
Intangibles	125,267	0	0	125,267
Mains and Connections	4,494,094	207,668	0	4,701,762
Meters	177,039	0	0	177,039
Tower	1,766,464	0	0	1,766,464
Wells and Control Building	3,959,394	40,939	0	4,000,333
Total Capital Assets, Water, Being Depreciated	11,181,767	248,607	0	11,430,374

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Water Supply</u>				
Less Accumulated Depreciation for:				
Buildings	112,106	7,214	0	119,320
Intangible	125,267	0	0	125,267
Land Improvements	24,561	3,357	0	27,918
Machinery and Equipment	143,368	11,753	0	155,121
Mains and Connections	1,769,294	87,181	0	1,856,475
Meters	172,833	870	0	173,703
Tower	1,232,236	22,138	0	1,254,374
Wells and Control Building	1,264,851	76,336	0	1,341,187
	<hr/>			
Total Accumulated Depreciation, Water	4,844,516	208,849	0	5,053,365
	<hr/>			
Total Capital Assets, Water, Being Depreciated, Net	6,337,251	39,758	0	6,377,009
	<hr/>			
Water Capital Assets, Net	6,379,751	39,758	0	6,419,509
	<hr/>			
Total Capital Assets, Net Business-Type Activities	\$ 9,782,850	\$ 176,183	\$ 0	\$ 9,959,033
	<hr/>			

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$ 27,132
Public Safety	14,284
Public Works	152,939
Recreation and Culture	46,655
Community and Economic Development	52,135
	<hr/>
Total Depreciation Expense - Governmental Activities	\$ 293,145
	<hr/>

Business-Type Activities:

Sewer	\$ 160,211
Water	208,849
	<hr/>
Total Depreciation Expense - Business-Type Activities	\$ 369,060
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CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Discretely Presented Component Units

<u>Evert Housing Commission</u>	Beginning			Ending
	Balance	Increases	Decreases	Balance
Capital Assets, Not Being Depreciated				
Land	\$ 35,851	\$ 0	\$ 0	\$ 35,851
Capital Assets Being Depreciated				
Land Improvements	782,142	19,866	0	802,008
Building and Improvements	4,380,959	102,761	975	4,482,745
Equipment	298,064	8,832	0	306,896
Total Capital Assets, Evert Housing Commission, Being Depreciated	5,461,165	131,459	975	5,591,649
Less Accumulated Depreciation	4,635,605	186,667	975	4,821,297
Total Capital Assets, Evert Housing Commission, Being Depreciated, Net	825,560	(55,208)	0	770,352
Evert Housing Commission Capital Assets, Net	861,411	(55,208)	0	806,203
<u>Downtown Development Authority</u>				
Capital Assets, Not Being Depreciated				
Land	11,100	0	0	11,100
Capital Assets Being Depreciated				
Buildings	50,000	0	0	50,000
Building Improvements	48,445	0	0	48,445
Furniture and Fixtures	10,500	0	0	10,500
Equipment	6,488	0	3,989	2,499
Total Capital Assets, DDA, Being Depreciated	115,433	0	3,989	111,444

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

<u>Discretely Presented Component Units</u>	Beginning Balance	Increases	Decreases	Ending Balance
<u>Downtown Development Authority</u>				
Less Accumulated Depreciation for:				
Buildings	26,250	1,250	0	27,500
Building Improvements	20,035	2,147	0	22,182
Furniture and Fixtures	10,500	0	0	10,500
Equipment	2,802	440	2,137	1,105
Total Accumulated Depreciation, DDA	59,587	3,837	2,137	61,287
Total Capital Assets, DDA, Being Depreciated, Net	55,846	(3,837)	1,852	50,157
DDA Capital Assets, Net	66,946	(3,837)	1,852	61,257
<u>Local Development Finance Authority</u>				
Capital Assets, Not Being Depreciated				
Land	597,736	0	0	597,736
Capital Assets Being Depreciated				
Buildings	441,145	0	0	441,145
Building Improvements	125,000	0	0	125,000
Equipment	6,086	0	0	6,086
Total Capital Assets, LDFA, Being Depreciated	572,231	0	0	572,231
Less Accumulated Depreciation for:				
Buildings	220,576	11,029	0	231,605
Building Improvements	106,250	6,250	0	112,500
Equipment	4,744	342	0	5,086
Total Accumulated Depreciation, LDFA	331,570	17,621	0	349,191
Total Capital Assets, LDFA, Being Depreciated, Net	240,661	(17,621)	0	223,040
LDFA Capital Assets, Net	838,397	(17,621)	0	820,776
Total Capital Assets, Net, Component Units	\$ 1,766,754	\$ (76,666)	\$ 1,852	\$ 1,688,236

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Community and Economic Development	<u>\$ 21,458</u>
Business-Type Activities:	
Housing Commission	<u>\$ 186,667</u>

C. Interfund Receivables and Payables and Transfers

Interfund receivable and payable balances at June 30, 2019, were:

<u>Primary Government</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 13	\$ 0
Permanent Fund		
Cemetery Perpetual Care	0	13
Enterprise Funds		
Sewage Disposal System	2,465	0
Internal Service Fund		
Equipment Pool	<u>0</u>	<u>2,465</u>
Total Primary Government	<u>\$ 2,478</u>	<u>\$ 2,478</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2019, are expected to be repaid within one year.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The City had no transfers for the year ending June 30, 2019.

D. Long-Term Obligations

1. Primary Government

The following is a summary of long-term debt obligation transactions of the City of Evart for the year ended June 30, 2019:

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Governmental Activities:

	NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS		COMPENSATED ABSENCES	NET PENSION LIABILITY	TOTAL
Debt Payable at July 1, 2018	\$	17,500	\$ 52,369	\$ 232,973	\$ 302,842
Debt Retired		(8,500)	(25,807)	(36,993)	(71,300)
New Debt Issued		0	20,778	219,989	240,767
Debt Payable at June 30, 2019	\$	9,000	\$ 47,340	\$ 415,969	\$ 472,309
Due Within One Year	\$	9,000	\$ 0	Unknown	\$ 9,000

Debt payable at June 30, 2019, is comprised of the following individual issues:

Governmental Activities

Notes from Direct Borrowings and Direct Placements

Installment Note Payable

\$66,500 installment note for the purchase of land due in annual installments of \$9,000 through July 1, 2020, interest at 2.79% \$ 9,000

Compensated Absences

Vested sick and vacation pay owed to City employees under various contracts and agreements (this debt is payable from the General Fund and various Special Revenue Funds) 47,340

Net Pension Liability

The difference between the total net pension liability for the governmental activities and the pension investment net position 415,969
\$ 472,309

The annual requirements to amortize all debt outstanding, including interest payments of \$255 for the governmental activities as of June 30, 2019, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 9,000	\$ 255	\$ 9,255

The annual requirements to amortize vested sick and vacation pay, and net pension liability is uncertain because it is unknown when the repayments will be made.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Business-Type Activities:

	NET PENSION LIABILITY
Debt Payable at July 1, 2018	\$ 219,349
Debt Retired	(28,414)
New Debt Issued	128,568
Debt Payable at June 30, 2019	<u>\$ 319,503</u>
Due Within One Year	<u>Unknown</u>

Debt payable at June 30, 2019, is comprised of the following individual issues:

Business-Type Activities:

Net Pension Liability

The difference between the total pension liability for the business-type activities and the pension investment net position	<u>\$ 319,503</u>
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The annual requirements to amortize net pension liability is uncertain because it is unknown when the repayments will be made.

2. *Discretely Presented Component Unit*

The following is a summary of debt transactions of the Evert Local Development Finance Authority for the year ended June 30, 2019:

	NET PENSION LIABILITY
Debt Payable at July 1, 2018	\$ 267,397
Debt Retired	(25,557)
New Debt Issued	54,033
Debt Payable at June 30, 2019	<u>\$ 295,873</u>
Due Within One Year	<u>Unknown</u>

The Evert Housing Commission has \$13,919 in compensated absences, with \$9,162 due within one year.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

E. Leases

The rental expense for the year ended June 30, 2019 totaled \$573.

The rental expense consists of a lease agreement on a copier. The future minimum lease payments are as follows:

<u>YEAR ENDING</u>	<u>PAYABLES</u>
2020	\$ 2,841
2021	2,841
2022	2,841
2023	2,841
2024	2,368
	<u>\$ 13,732</u>

Capital Lease Obligations – The City entered into a lease agreement as a lessee for financing the acquisition of a loader and a backhoe. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The future minimum lease obligations as of June 30, 2019 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020	\$ 164,378	\$ 622	\$ 165,000

IV. OTHER INFORMATION

A. Employee Retirement Systems

Primary Government

Plan Description:

The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and their beneficiaries. The City participates in the Michigan Municipal Employees' Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. This report may be obtained by accessing the MERS website at www.mersofmich.com or by writing to the System at:

MERS
Municipal Employees' Retirement System of Michigan
1134 Municipal Way
Lansing, MI 48917

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Benefits Provided

	<u>2018 Valuation</u>	
	<u>01-General: Closed to new hires, linked to Division HA</u>	<u>HA-New Hires & Tmstr214 af 11/1/11: Open Division, linked to Division 01</u>
Benefit Multiplier:	2.25% Multiplier (80% max)	1.50% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	6 years	6 years
Early Retirement (Unreduced):	55/20	-
Early Retirement (Reduced):	50/25	-
	55/15	-
Final Average Compensation:	5 years	3 years
Employee Contributions:	5%	0%
Act 88:	No	No

Employees Covered by Benefit Terms

At the December 31, 2018, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	10
Active Employees	<u>12</u>
Total employees covered by MERS	<u><u>31</u></u>

Contributions

MERS members are required to contribute 5% of their gross wages to the plan. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees.

City contributions were 6.68% based on annual payroll for open divisions. One division that is closed to new employees has a fixed annual employer contribution amount of \$46,140.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Actuarial Assumptions

The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%	
Salary Increases	3.75%	In the long term
Investment rate of return	7.75%	Net of administrative and investment expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.50%	5.02%
Global Fixed Income	20.00%	2.18%
Real Assets	12.50%	4.23%
Diversifying Strategies	10.00%	6.56%

Discount Rate

The discount rate used to measure the total pension liability is 8.00% for 2018. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the regular rates agreed upon for employees and the actuarially determined rates for employers.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Projected Cash Flows

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 2,162,973	\$ 1,710,651	\$ 452,322
Service cost	50,133	0	50,133
Interest	169,703	0	169,703
Difference between expected and actual experience	74,220	0	74,220
Change in assumptions	0	0	0
Contributions - employer	0	64,889	(64,889)
Contributions - employee	0	15,269	(15,269)
Net investment income	0	(65,855)	65,855
Benefit payments, including refunds	(133,498)	(133,498)	0
Administrative expenses	0	(3,294)	3,294
Other Changes	0	(103)	103
Net changes	160,558	(122,592)	283,150
Balance at December 31, 2018	\$ 2,323,531	\$ 1,588,059	\$ 735,472

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 8.00%, as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

Decrease 7.00%	Discount Rate 8.00%	Increase 9.00%
\$ 1,005,855	\$ 735,472	\$ 458,287

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the City recognized pension expense of \$127,696. At June 30, 2019, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 118,431	\$ 0
Employer contributions to the plan subsequent to the measurement date	38,292	0
Changes of assumptions in pension plan	16,611	0
Difference between expected and actual experience	<u>61,759</u>	<u>42,686</u>
Total	<u>\$ 235,093</u>	<u>\$ 42,686</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2020.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2020	\$ 54,549
2021	6,218
2022	38,289
2023	<u>55,059</u>
	<u>\$ 154,115</u>

Discretely Presented Component Unit – Local Development Finance Authority (LDFA)

Plan Description:

The LDFA's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and their beneficiaries. The LDFA participates in the Michigan Municipal Employees' Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

includes financial statements and required supplementary information for the system. This report may be obtained by accessing the MERS website at www.mersofmich.com or by writing to the System at:

MERS
Municipal Employees' Retirement System of Michigan
1134 Municipal Way
Lansing, MI 48917

Benefits Provided

	<u>2018 Valuation</u>
	<u>01-General: Open Division</u>
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	No

Employees Covered by Benefit Terms

At the December 31, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	0
Active Employees	<u>1</u>
Total employees covered by MERS	<u><u>3</u></u>

Contributions

MERS members are not required to make any contributions to the plan. The LDFA is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The LDFA may establish contribution rates to be paid by its covered employees.

LDFA contributions were 73.64% based on annual payroll for open divisions.

Net Pension Liability

The LDFA's net pension liability was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Actuarial Assumptions

Same as Primary Government.

Discount Rate

Same as Primary Government.

Projected Cash Flows

Same as Primary Government.

Changes in Net Pension Liability

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 521,345	\$ 253,948	\$ 267,397
Service cost	4,457	0	4,457
Interest	40,376	0	40,376
Difference between expected and actual experience	(1,728)	0	(1,728)
Change in assumptions	0	0	0
Contributions - employer	0	24,584	(24,584)
Net investment income	0	(9,475)	9,475
Benefit payments, including refunds	(37,749)	(37,749)	0
Administrative expenses	0	(480)	480
Other Changes	0	0	0
Net changes	5,356	(23,120)	28,476
Balance at December 31, 2018	\$ 526,701	\$ 230,828	\$ 295,873

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the LDFA, calculated using the discount rate of 8.00%, as well as what the LDFA's net pension liability would be using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

Decrease 7.00%	Discount Rate 8.00%	Increase 9.00%
\$ 341,818	\$ 295,873	\$ 255,704

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the LDFA recognized pension expense of \$29,669. At June 30, 2019, the LDFA reported deferred outflows and inflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Net difference between projected and actual earnings on pension plan investments	\$ 4,355	\$ 0
Employer contributions to the plan subsequent to the measurement date	12,778	0
Total	<u>\$ 17,133</u>	<u>\$ 0</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2020.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2020	\$ 4,503
2021	(248)
2022	1,270
2023	(1,170)
	<u>\$ 4,355</u>

B. Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees.

The City participates in a distinct pool of Governmental Entities within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance. The pool is considered a public entity risk pool. The City pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The City continues to carry commercial insurance for other risks of loss, including worker's compensation. The City has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

C. Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

D. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the City.

The City collects and disburses taxes, payments in lieu of taxes, and other receipts to various other units of government. Occasionally, chargebacks, tax tribunals, and various other situations occur where the City is directed to change the way collections have been previously disbursed. These changes could include money the City has previously recognized as income in its own various funds. There is no reasonable estimate of potential costs, if any.

Prior to June 30, 2019, the City entered into various contracts for various road projects. These projects include:

- Paving South Industrial Drive for a total of \$82,970.
- Resurfacing Lauman Road for a total of \$42,730.
- Resurfacing 2nd Street for a total of \$15,640.

The City has also committed to purchasing a 2014 Vactor Sewer Cleaner and Freightliner for a total of \$249,898

E. Subsequent Events

Subsequent to year end, the City entered into various agreements for purchases and projects. No adjustments were made to the financial statements for the year ending June 30, 2019 related to these subsequent events. These agreements include:

1. The City approved design and engineering services in the amount of \$85,585.
2. The City approved the purchase of a wheel loader in the amount of \$191,525.
3. The City approved design services for the depot in the amount of \$5,700.
4. The City accepted a bid from Gerber Construction for water service lead replacement in the amount of \$180,260.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

In addition, the City's DDA accepted an offer on a building in the amount of \$35,000

F. Joint Venture - Evert Area Joint Fire Department

The City is a member of the Evert Area Joint Fire Department. The Joint Fire Department is a joint venture of the City of Evert, and the townships of Evert, Orient, Osceola, and Sylvan. The City contributed \$29,580 to the current operating budget. Each municipality has agreed to contribute an equivalent of up to one mill each year for fire protection.

A copy of these audited financial statements may be obtained upon request from the Fire Department treasurer.

G. Upcoming Accounting Pronouncements

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the City's 2020 fiscal year-end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Cities with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

CITY OF EVART
EVART, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	<u>GENERAL FUND</u>			<u>MAJOR STREET FUND</u>			<u>LOCAL STREET FUND</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<u>Revenues</u>									
Taxes	\$ 535,800	\$ 535,800	\$ 473,585	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	86,900	86,900	54,843	0	0	0	0	0	0
State Grants	220,800	276,873	407,094	138,000	156,323	207,828	50,000	60,565	94,643
Contributions From Local Units	0	0	8,988	0	0	0	0	0	0
Charges for Services	110,250	110,250	129,433	0	0	0	0	0	0
Fines and Forfeits	4,400	4,400	5,283	0	0	0	0	0	0
Interest and Rents	14,250	19,450	34,157	200	200	469	100	100	378
Other Revenue	14,650	20,505	35,822	5,100	5,100	6,178	0	0	325
Total Revenues	987,050	1,054,178	1,149,205	143,300	161,623	214,475	50,100	60,665	95,346
<u>Expenditures</u>									
General Government									
City Council	8,700	23,725	10,755	0	0	0	0	0	0
Mayor	2,384	1,085	1,085	0	0	0	0	0	0
City Manager	27,750	42,375	41,492	0	0	0	0	0	0
Elections	3,350	4,350	4,114	0	0	0	0	0	0
Professional Services	6,200	8,000	7,926	0	0	0	0	0	0
Treasurer	30,575	32,075	31,736	0	0	0	0	0	0
Assessor	5,000	8,000	7,651	0	0	0	0	0	0
Attorney	10,250	10,250	27,997	0	0	0	0	0	0
Clerk	24,680	21,485	21,698	0	0	0	0	0	0
Board of Review	1,300	900	893	0	0	0	0	0	0
Building and Grounds	19,245	30,140	33,971	0	0	0	0	0	0
Cemetery	55,500	59,325	59,089	0	0	0	0	0	0
Public Safety									
Police	334,750	273,216	270,487	0	0	0	0	0	0
Fire Protection	35,000	34,580	29,580	0	0	0	0	0	0
Public Works									
Department of Public Works	118,525	98,790	131,344	0	0	0	0	0	0
Downtown Development Authority	21,000	22,875	22,755	0	0	0	0	0	0
Local Development Finance Authority	2,000	2,000	0	0	0	0	0	0	0
Airport	17,700	25,300	25,011	0	0	0	0	0	0
Trees	4,000	28,250	27,349	0	0	0	0	0	0

CITY OF EVART
EVART, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	<u>GENERAL FUND</u>			<u>MAJOR STREET FUND</u>			<u>LOCAL STREET FUND</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Street Lighting	33,200	33,150	33,128	0	0	0	0	0	0
Refuse Service	92,750	93,000	103,346	0	0	0	0	0	0
Street Department	0	0	0	83,757	102,080	325,066	35,400	45,965	98,233
Community and Economic Development									
Planning and Zoning	75	3,035	2,987	0	0	0	0	0	0
Recreation and Culture									
Parks and Recreation	57,535	72,391	278,934	0	0	0	0	0	0
Other Functions									
Fringe Benefits	59,500	111,225	102,952	0	0	0	0	0	0
Liability and Workers Comp Insurance	3,600	2,100	2,066	0	0	0	0	0	0
Special Events	3,500	3,575	3,471	0	0	0	0	0	0
Debt Service									
Principal	0	0	8,500	0	0	0	0	0	0
Interest	0	0	488	0	0	0	0	0	0
Total Expenditures	978,069	1,045,197	1,290,805	83,757	102,080	325,066	35,400	45,965	98,233
Excess (Deficiency) of Revenues Over Expenditures	8,981	8,981	(141,600)	59,543	59,543	(110,591)	14,700	14,700	(2,887)
<u>Other Financing Sources (Uses)</u>									
Transfers In	0	0	0	0	0	0	20,000	20,000	0
Transfers Out	0	0	0	(20,000)	(20,000)	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	(20,000)	(20,000)	0	20,000	20,000	0
Net Change in Fund Balance	8,981	8,981	(141,600)	39,543	39,543	(110,591)	34,700	34,700	(2,887)
<u>FUND BALANCE</u> - Beginning of Year	937,319	937,319	942,502	476,484	476,484	476,484	142,588	142,588	142,588
<u>FUND BALANCE</u> - End of Year	\$ 946,300	\$ 946,300	\$ 800,902	\$ 516,027	\$ 516,027	\$ 365,893	\$ 177,288	\$ 177,288	\$ 139,701

CITY OF EVART
EVART, MICHIGAN

PRIMARY GOVERNMENT

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS -
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

JUNE 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability					
Service Cost	\$ 50,133	\$ 47,932	\$ 41,621	\$ 47,156	\$ 41,938
Interest	169,703	163,284	164,942	150,951	148,744
Difference Between Expected and Actual Experience	74,220	(6,558)	(98,523)	11,917	0
Change in Assumptions	0	0	0	83,057	0
Change in Benefits	0	0	(11,775)	0	0
Benefit Payments	(133,498)	(117,538)	(122,754)	(117,538)	(101,169)
Other Changes	0	0	0	4,718	0
Net Change in Total Pension Liability	160,558	87,120	(26,489)	180,261	89,513
Total Pension Liability - Beginning	2,162,973	2,075,853	2,102,342	1,922,081	1,832,568
Total Pension Liability - Ending	<u>\$ 2,323,531</u>	<u>\$ 2,162,973</u>	<u>\$ 2,075,853</u>	<u>\$ 2,102,342</u>	<u>\$ 1,922,081</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 64,889	\$ 58,414	\$ (32,169)	\$ 76,127	\$ 65,091
Contributions - Employee	15,269	15,526	43,402	0	0
Net Investment Income	(65,855)	206,189	168,829	(23,257)	95,150
Benefit Payments Including Employee Refunds	(133,498)	(117,538)	(122,754)	(117,538)	(101,169)
Administrative Expense	(3,294)	(3,271)	(3,333)	(3,409)	(3,493)
Other Changes	(103)	0	0	0	0
Net Change in Plan Fiduciary Net Position	(122,592)	159,320	53,975	(68,077)	55,579
Plan Fiduciary Net Position - Beginning	1,710,651	1,551,231	1,497,256	1,565,333	1,509,755
Plan Fiduciary Net Position - Ending	<u>\$ 1,588,059</u>	<u>\$ 1,710,551</u>	<u>\$ 1,551,231</u>	<u>\$ 1,497,256</u>	<u>\$ 1,565,334</u>
Employer Net Pension Liability	<u>\$ 735,472</u>	<u>\$ 452,422</u>	<u>\$ 524,622</u>	<u>\$ 605,086</u>	<u>\$ 356,747</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68%	79%	75%	71%	81%
Covered Payroll	577,173	519,248	464,691	522,587	440,709
Employer's Net Pension Liability as a Percentage of Covered Payroll	127%	87%	113%	116%	81%

CITY OF EVART
EVART, MICHIGAN

COMPONENT UNIT - LOCAL DEVELOPMENT FINANCE AUTHORITY

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS -
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

JUNE 30,

	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	\$ 4,457	\$ 3,691	\$ 3,377	\$ 3,173	\$ 3,497
Interest	40,376	39,800	39,210	36,725	37,422
Difference Between Expected and Actual Experience	(1,728)	718	1,325	2,043	0
Change in Assumptions	0	0	0	23,856	0
Change in Benefits	0	0	0	0	0
Benefit Payments	(37,749)	(37,044)	(36,340)	(35,635)	(34,931)
Other Changes	0	0	0	1,148	(1)
Net Change in Total Pension Liability	5,356	7,165	7,572	31,310	5,987
Total Pension Liability - Beginning	521,345	514,180	506,608	475,298	469,311
Total Pension Liability - Ending	<u>\$ 526,701</u>	<u>\$ 521,345</u>	<u>\$ 514,180</u>	<u>\$ 506,608</u>	<u>\$ 475,298</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 24,584	\$ 24,003	\$ 13,336	\$ 11,160	\$ 11,152
Contributions - Employee	0	0	0	0	0
Net Investment Income	(9,475)	30,606	25,443	(3,666)	16,703
Benefit Payments Including Employee Refunds	(37,749)	(37,044)	(36,340)	(35,635)	(34,931)
Administrative Expense	(480)	(485)	(504)	(554)	(608)
Net Change in Plan Fiduciary Net Position	(23,120)	17,080	1,935	(28,695)	(7,684)
Plan Fiduciary Net Position - Beginning	253,948	236,868	234,933	263,628	271,312
Plan Fiduciary Net Position - Ending	<u>\$ 230,828</u>	<u>\$ 253,948</u>	<u>\$ 236,868</u>	<u>\$ 234,933</u>	<u>\$ 263,628</u>
Employer Net Pension Liability	<u>\$ 295,873</u>	<u>\$ 267,397</u>	<u>\$ 277,312</u>	<u>\$ 271,675</u>	<u>\$ 211,670</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	49%	46%	46%	55%
Covered Payroll	34,711	28,743	26,297	25,758	28,381
Employer's Net Pension Liability as a Percentage of Covered Payroll	852%	930%	1055%	1055%	746%

CITY OF EVART
EVART, MICHIGAN

PRIMARY GOVERNMENT

SCHEDULE OF EMPLOYER CONTRIBUTIONS - MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

YEAR ENDED JUNE 30,

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<u>Primary Government</u>										
Actuarial Determined Contributions	\$ 64,889	\$ 58,414	\$ (32,169)	\$ 74,259	\$ 65,091	\$ 66,183	\$ 69,830	\$ 60,965	\$ 63,685	\$ 83,664
Contributions in Relation to the Actuarially Determined Contribution	64,889	58,414	(32,169)	74,259	65,091	66,183	69,830	60,965	63,685	83,664
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 577,173	\$ 519,248	\$ 464,691	\$ 522,587	\$ 440,709	\$ 581,523	\$ 513,593	\$ 560,944	\$ 540,032	\$ 644,280
Contributions as a Percentage of Covered Payroll	11%	11%	-7%	14%	15%	11%	14%	11%	12%	13%

Notes to Schedule

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	23 Years
Asset Valuation Method	5 Year Smoothed
Inflation	2.5%
Salary Increases	3.75%
Investment Rate of Return	7.75%
Retirement Age	Varies Depending on Plan Adoption
Mortality	50% Female/50% Male RP-2014 Group Annuity Mortality Table

CITY OF EVART
EVART, MICHIGAN

COMPONENT UNIT - LOCAL DEVELOPMENT FINANCE AUTHORITY

SCHEDULE OF EMPLOYER CONTRIBUTIONS - MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

YEAR ENDED JUNE 30,

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<u>Component Unit - LDFA</u>										
Actuarial Determined Contributions	\$ 24,584	\$ 24,003	\$ 13,336	\$ 11,160	\$ 11,152	\$ 13,726	\$ 8,972	\$ 5,242	\$ 10,186	\$ 26,716
Contributions in Relation to the Actuarially Determined Contribution	24,584	24,003	13,336	11,160	11,152	13,726	8,972	5,242	10,186	26,716
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 34,711	\$ 28,743	\$ 26,297	\$ 25,758	\$ 28,381	\$ 37,648	\$ 36,534	\$ 36,200	\$ 33,315	\$ 115,874
Contributions as a Percentage of Covered Payroll	71%	84%	51%	43%	39%	36%	25%	14%	31%	23%

Notes to Schedule

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	23 Years
Asset Valuation Method	5 Year Smoothed
Inflation	2.5%
Salary Increases	3.75%
Investment Rate of Return	7.75%
Retirement Age	Varies Depending on Plan Adoption
Mortality	50% Female/50% Male RP-2014 Group Annuity Mortality Table

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CITY OF EVART
EVART, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2019

	Special	Capital Project Funds		Permanent Fund	Total Non-Major Governmental Funds
	Revenue Fund Library	Police Vehicle	Fire Vehicle	Cemetery Perpetual Care	
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 0	\$ 2	\$ 27,759	\$ 0	\$ 27,761
Restricted Cash	0	0	0	141,498	141,498
Accounts Receivable	0	0	0	100	100
Due from Other Funds	0	0	0	0	0
TOTAL ASSETS	\$ 0	\$ 2	\$ 27,759	\$ 141,598	\$ 169,359
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Due to Other Funds	0	0	0	13	13
TOTAL LIABILITIES	0	0	0	13	13
<u>FUND BALANCE</u>					
Nonspendable:					
Endowment	0	0	0	141,585	141,585
Assigned					
Police Vehicle Replacement	0	2	0	0	2
Fire Vehicle Replacement	0	0	27,759	0	27,759
Total Fund Balance	0	2	27,759	141,585	169,346
TOTAL LIABILITIES AND FUND BALANCE	\$ 0	\$ 2	\$ 27,759	\$ 141,598	\$ 169,359

CITY OF EVART
EVART, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2019

	Special	Capital Project Funds		Permanent Fund	Total
	Revenue Fund Library	Police Vehicle	Fire Vehicle	Cemetery Perpetual Care	Non-Major Governmental Funds
<u>REVENUES</u>					
Taxes	\$ 37,183	\$ 0	\$ 0	\$ 0	\$ 37,183
Interest and Rents	0	1	544	1,957	2,502
Other	0	0	0	300	300
Total Revenues	37,183	1	544	2,257	39,985
<u>EXPENDITURES</u>					
Recreation and Culture					
Library	37,183	0	0	0	37,183
Net Change in Fund Balance	0	1	544	2,257	2,802
<u>FUND BALANCE</u> - Beginning of Year	0	1	27,215	139,328	166,544
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 2</u>	<u>\$ 27,759</u>	<u>\$ 141,585</u>	<u>\$ 169,346</u>

CITY OF EVART
EVART, MICHIGAN

COMPONENT UNITS
COMBINING BALANCE SHEET

JUNE 30, 2019

	Downtown Development Authority	Local Development Finance Authority	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 120,256	\$ 46,752	\$ 167,008
Prepaid Expenditures	1,200	784	1,984
TOTAL ASSETS	<u>\$ 121,456</u>	<u>\$ 47,536</u>	<u>\$ 168,992</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 2,700	\$ 11,347	\$ 14,047
Accrued Payroll	1,031	801	1,832
Unearned Revenue	1,680	2,500	4,180
Total Liabilities	<u>5,411</u>	<u>14,648</u>	<u>20,059</u>
 <u>FUND BALANCE</u>			
Nonspendable			
Prepaid Expenditures	1,200	784	1,984
Unassigned	114,845	32,104	146,949
Total Fund Balance	<u>116,045</u>	<u>32,888</u>	<u>148,933</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 121,456</u>	<u>\$ 47,536</u>	<u>\$ 168,992</u>

CITY OF EVART
EVART, MICHIGAN

COMPONENT UNITS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

JUNE 30, 2019

	<u>Downtown Development Authority</u>	<u>Local Development Finance Authority</u>	<u>Total</u>
<u>REVENUES</u>			
Taxes	\$ 0	\$ 81,072	\$ 81,072
Local Contributions	20,000	0	20,000
Interest and Rents	3,699	74	3,773
State Sources	60,501	9,788	70,289
Other Sources			
Donations	32,878	0	32,878
Refunds and Reimbursements	0	0	0
Other Revenues	10,098	500	10,598
	<hr/>		
Total Revenues	127,176	91,434	218,610
 <u>EXPENDITURES</u>			
Operating			
Community and Economic Development	98,215	90,735	188,950
	<hr/>		
Excess (Deficiency) of Revenues Over Expenditures	28,961	699	29,660
 <u>FUND BALANCE</u> - Beginning of Year	 87,084	 32,189	 119,273
	<hr/>		
<u>FUND BALANCE</u> - End of Year	\$ 116,045	\$ 32,888	\$ 148,933
	<hr/> <hr/>		

CITY OF EVART
EVART, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2019

	<u>General</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 120,256
Prepaid Expenditures	<u>1,200</u>
 TOTAL ASSETS	 <u>\$ 121,456</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 2,700
Accrued Wages	1,031
Unearned Revenue	<u>1,680</u>
 Total Liabilities	 <u>5,411</u>
 <u>FUND BALANCE</u>	
Nonspendable	
Prepaid Expenditures	1,200
Unassigned	<u>114,845</u>
 Total Fund Balance	 <u>116,045</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 121,456</u>

CITY OF EVART
EVART, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GOVERNMENTAL FUNDS

JUNE 30, 2019

	General	
	Budget	Actual
<u>REVENUES</u>		
Local Contributions	\$ 20,000	\$ 20,000
Interest and Rents	6,100	3,699
State Sources	55,000	60,501
Other Sources		
Donations	66,520	32,878
Other Revenues	7,000	10,098
	154,620	127,176
<u>EXPENDITURES</u>		
Operating		
Wages	35,000	34,717
Employee Benefits		
Health Insurance	13,000	7,389
Payroll Taxes	2,575	3,300
Workers Compensation	950	837
Office Expense	750	2,064
Professional Fees	43,972	25,201
Utilities	2,575	5,090
Community Promotion	9,337	2,639
Repairs and Maintenance	250	188
Educations and Training	500	525
Memberships and Dues	600	250
Fundraisers	4,500	0
Grants	10,000	10,481
Travel	4,000	4,819
Farmers Market	2,500	323
Capital Outlay	1,000	0
Miscellaneous	200	392
	131,709	98,215
Total Expenditures		
Excess (Deficiency) of Revenues		
Over Expenditures	22,911	28,961
<u>FUND BALANCE</u> - Beginning of Year	0	87,084
<u>FUND BALANCE</u> - End of Year	\$ 22,911	\$ 116,045

CITY OF EVART
EVART, MICHIGAN

LOCAL DEVELOPMENT FINANCE AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2019

	<u>General</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 46,752
Prepaid Expenditure	784
	<hr/>
TOTAL ASSETS	\$ 47,536
	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 11,347
Accrued Wages	801
Unearned Revenue	2,500
	<hr/>
Total Liabilities	14,648
	<hr/>
<u>FUND BALANCE</u>	
Nonspendable	
Prepaid Expenditures	784
Unassigned	32,104
	<hr/>
Total Fund Balance	32,888
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 47,536
	<hr/> <hr/>

CITY OF EVART
EVART, MICHIGAN

LOCAL DEVELOPMENT FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL
GOVERNMENTAL FUNDS

JUNE 30, 2019

	General	
	Budget	Actual
<u>REVENUES</u>		
Taxes	\$ 78,176	\$ 81,072
Interest and Rents	62	74
State Sources	10,600	9,788
Other Revenue	4,389	500
Total Revenues	93,227	91,434
 <u>EXPENDITURES</u>		
Operating		
Wages	32,165	34,648
Employee Benefits		
Health Insurance	1,058	0
Payroll Taxes	2,643	2,581
Retirement	21,972	25,557
Workers Compensation	805	355
Office Expense	835	847
Professional Fees	8,675	9,103
Utilities	2,173	1,579
Rent	1,950	2,655
Repairs and Maintenance	0	1,000
Educations and Training	0	265
Memberships and Dues	665	570
Insurance	2,609	2,587
Debt Service		
Principal	8,720	8,500
Interest	0	488
Total Expenditures	84,270	90,735
Net Change in Fund Balance	8,957	699
 <u>FUND BALANCE</u> - Beginning of Year	 43,367	 32,189
<u>FUND BALANCE</u> - End of Year	\$ 52,324	\$ 32,888

